

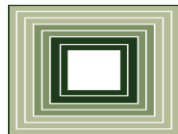
**Joint Meetings of House and Senate Appropriations
Committees on General Government**

Department of Military & Veterans Affairs

Department & Budget Overview

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March 4, 2021



FISCAL RESEARCH DIVISION
A Staff Agency of the North Carolina General Assembly

Presentation Outline

- Department & Budget Overview
 - Statutory Duties & Responsibilities
 - Budget Overview
- Selected Programs/Services
 - Statutory Duties & Responsibilities
 - Budget Overview
- Budget & Fiscal Issues

Statutory Duties & Responsibilities

- Department of Military and Veterans Affairs (DMVA) established in 2015 (S.L. 2015-241)
- Secretary must be confirmed by NC Senate
- Chapter 143B, Article 14
 - Assist veterans accessing State and federal benefits
 - Oversee and maintain the State's veterans nursing homes and veterans cemeteries
 - Assist county veterans services offices
 - Administer the State's Scholarships for Children of Wartime Veterans
 - Staff to Veterans Affairs Commission & Military Affairs Commission

Veterans' Affairs Commission

Chapter 143B, Article 14, Part II

- 13 members, 4-year terms, appointed by the Governor
- Advise Secretary on programs and services to veterans & their dependents
- Adopt rules for the administration of **Scholarships for Children of Wartime Veterans** program
- Approve spending from the **State Veterans Homes Trust Fund**

Military Affairs Commission (MAC)

Chapter 143B, Article 14, Part 10

- 23 voting members appointed by the Governor, Speaker & Senate President Pro Tempore
- 30 non-voting, ex officio members
- 4-year terms
- Staffed by DMVA but independent from DMVA
- Advise General Assembly & Secretary on initiatives and programs
- Approve expenditures of the **Military Presence Stabilization Fund**

Department of Military & Veterans Affairs

General Fund Budget

| | <u>Budget Summary</u> | | | |
|---------------------------|-----------------------|-------------------------|--------------------------|---------------------------|
| | FY 2019-20 Actual | FY 2020-21 Certified | FY 2020-21 Authorized | FY 2021-22 Base Budget |
| Requirements | 74,457,293 | 67,209,886 | 68,987,631 | 67,155,001 |
| Receipts | 65,349,796 | 57,637,441 | 59,415,186 | 57,415,186 |
| Net Appropriations | 9,107,497 | 9,572,445 | 9,572,445 | 9,739,815 |
| | | | | |
| FTE | 104.9 | 104.9 | 91.75 | 91.75 |

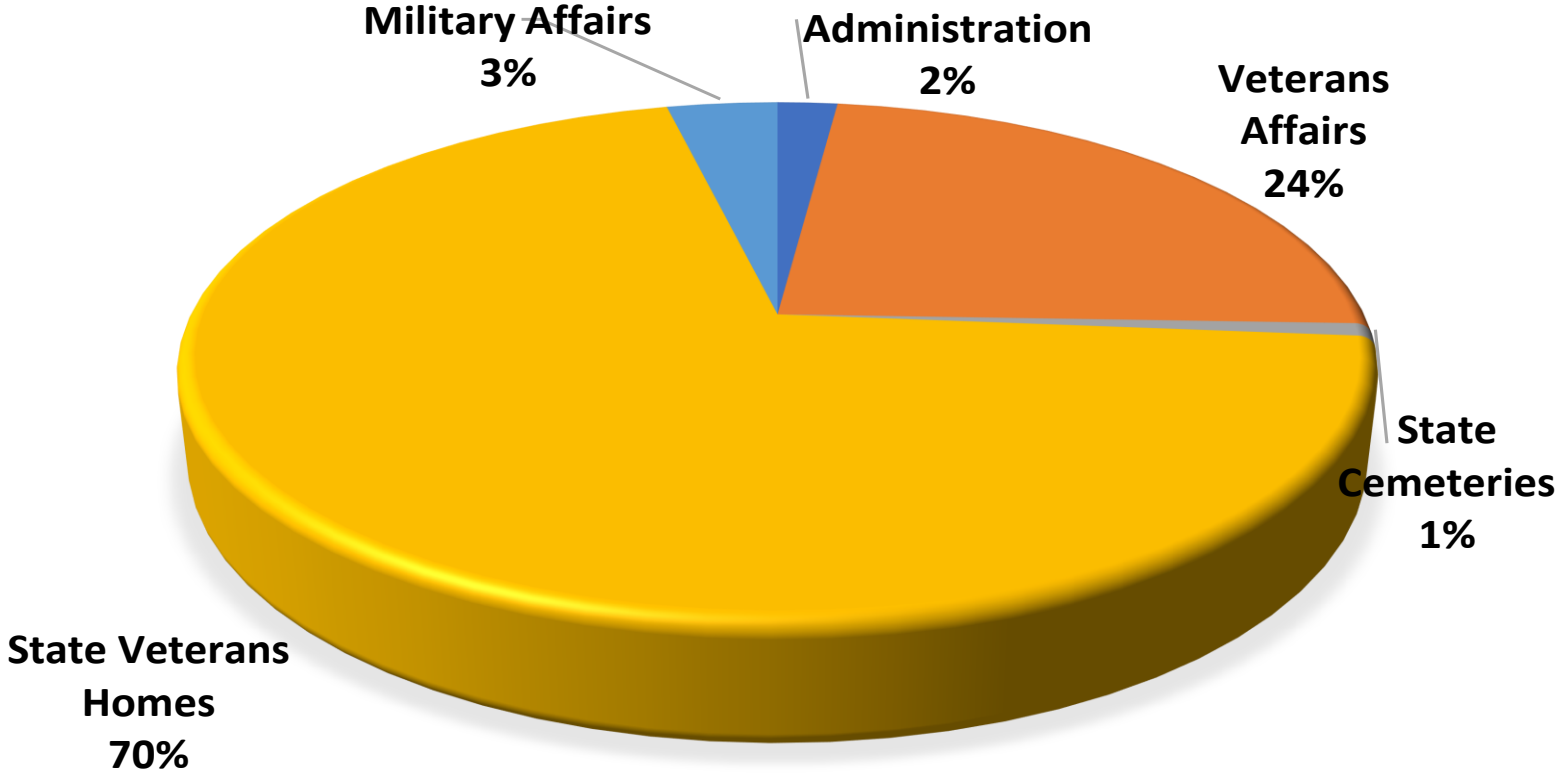
Department of Military & Veterans Affairs

Agency Budget In Context

| Agency | Requirements | Receipts | Net Appropriation | % Requirements |
|---|-----------------------|-----------------------|-----------------------|----------------|
| Department of Administration | \$ 75,717,082 | \$ 10,331,223 | \$ 65,385,859 | 10.8% |
| Office of Administrative Hearings | 7,800,795 | 1,260,671 | 6,540,124 | 1.1% |
| Office of State Auditor | 21,323,117 | 6,514,703 | 14,808,414 | 3.0% |
| Office of State Budget & Management | 8,897,138 | 131,780 | 8,765,358 | 1.3% |
| OSBM Special Appropriations | 8,603,000 | - | 8,603,000 | 1.2% |
| Office of the State Controller | 25,742,217 | 814,142 | 24,928,075 | 3.7% |
| State Board of Elections | 7,604,808 | 102,000 | 7,502,808 | 1.1% |
| NC General Assembly | 74,667,502 | 561,000 | 74,106,502 | 10.7% |
| Office of the Governor | 6,475,569 | 898,760 | 5,576,809 | 0.9% |
| Housing Finance Agency | 30,660,000 | - | 30,660,000 | 4.4% |
| Department of Insurance | 51,906,578 | 43,547,878 | 8,358,700 | 7.4% |
| NC Industrial Commission | 23,210,603 | 13,567,849 | 9,642,754 | 3.3% |
| Lieutenant Governor | 927,695 | - | 927,695 | 0.1% |
| Department of Military & Veterans Affairs | 68,987,631 | 59,415,186 | 9,572,445 | 9.8% |
| Department of Revenue | 172,477,966 | 80,698,497 | 91,779,469 | 24.6% |
| Department of Secretary of State | 14,988,522 | 362,357 | 14,626,165 | 2.1% |
| Department of State Treasurer | 67,840,591 | 62,895,934 | 4,944,657 | 9.7% |
| DST - Line of Duty Benefits | 33,220,423 | 1,200,000 | 32,020,423 | 4.7% |
| TOTALS | \$ 701,051,237 | \$ 282,301,980 | \$ 418,749,257 | |
| Source: Fiscal Biennium 2021-23 Worksheet Is, Office of State Budget & Management | | | | |

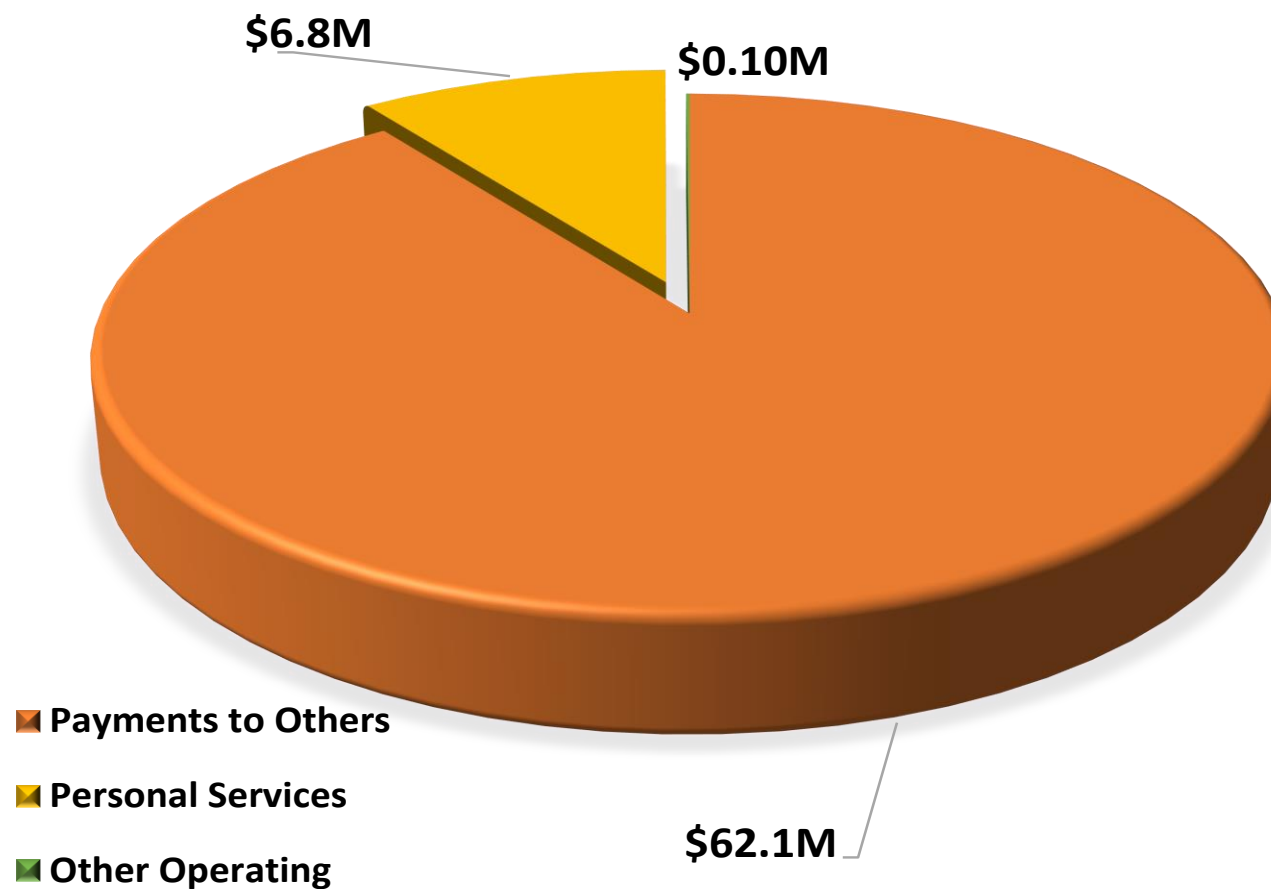
Total Departmental Budget Requirements by Division

FY 2020-21 Authorized Budget, \$69M



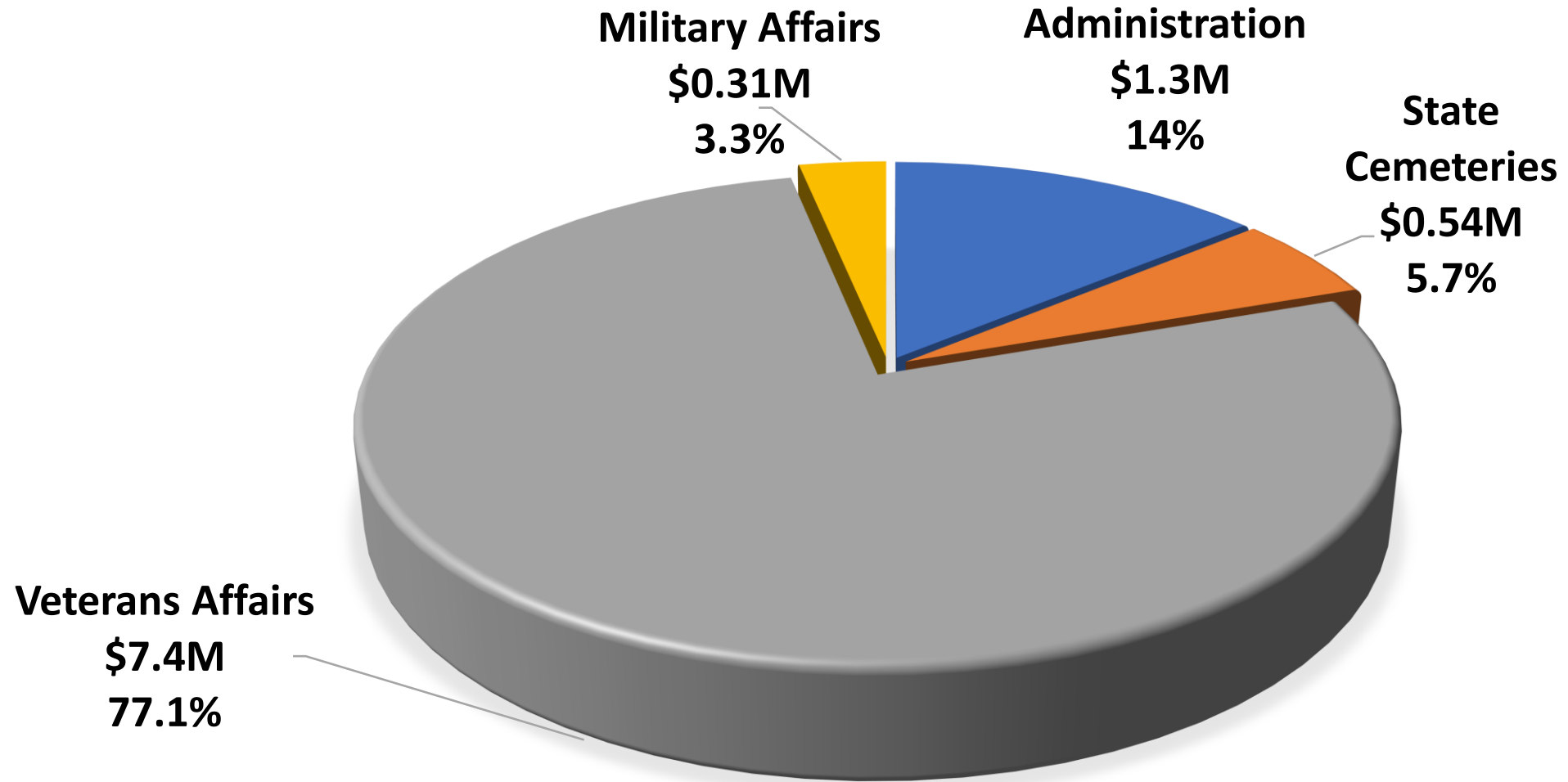
Total Departmental Budget Requirements by Category

FY 2020-21 Authorized Budget, \$69M



Total Net General Fund Appropriations by Division

FY 2020-21 Authorized Budget, \$9.6M



Department of Military & Veterans Affairs

History of Reversions

| Budget Code 13050 | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | 5-yr Average |
|-------------------------|------------|------------|------------|------------|------------|--------------|
| Reversions | \$ 482,653 | \$95,114 | \$ 140,239 | \$ 217,911 | \$ 258,832 | \$ 238,950 |
| % of Net Appropriations | 4.7% | 0.9% | 2.9% | 4.5% | 5.3% | 4.2% |
| Year-over-year Change | | -80.3% | 47.4% | 55.4% | 18.8% | |

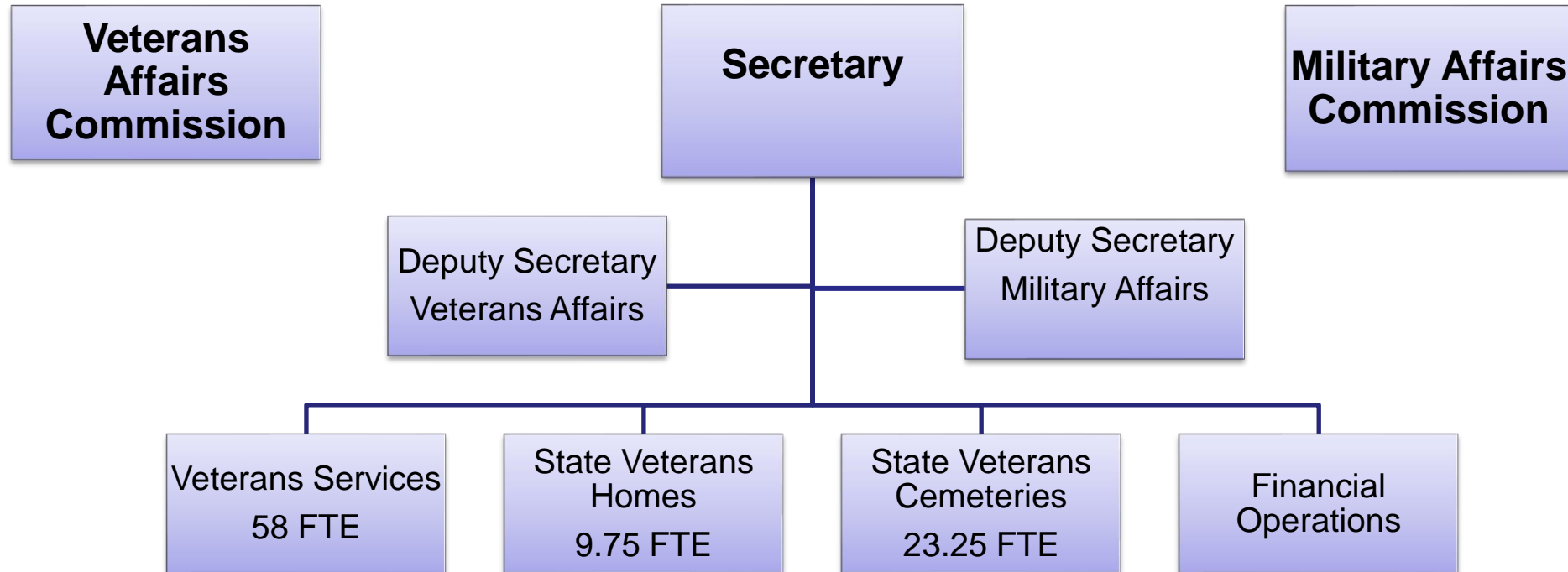
Key takeaways

- Reversions are usually the result of vacant positions
- DMVA average reversions typically exceed Statewide average

Select Programs

- Division of Veterans Affairs
 - Veterans Services Centers
 - Scholarships
 - Cemeteries
- Military Presence Stabilization Fund
- State Veterans Homes

Department of Military & Veterans Affairs Organizational Chart



Division of Veterans Affairs

Responsibilities include:

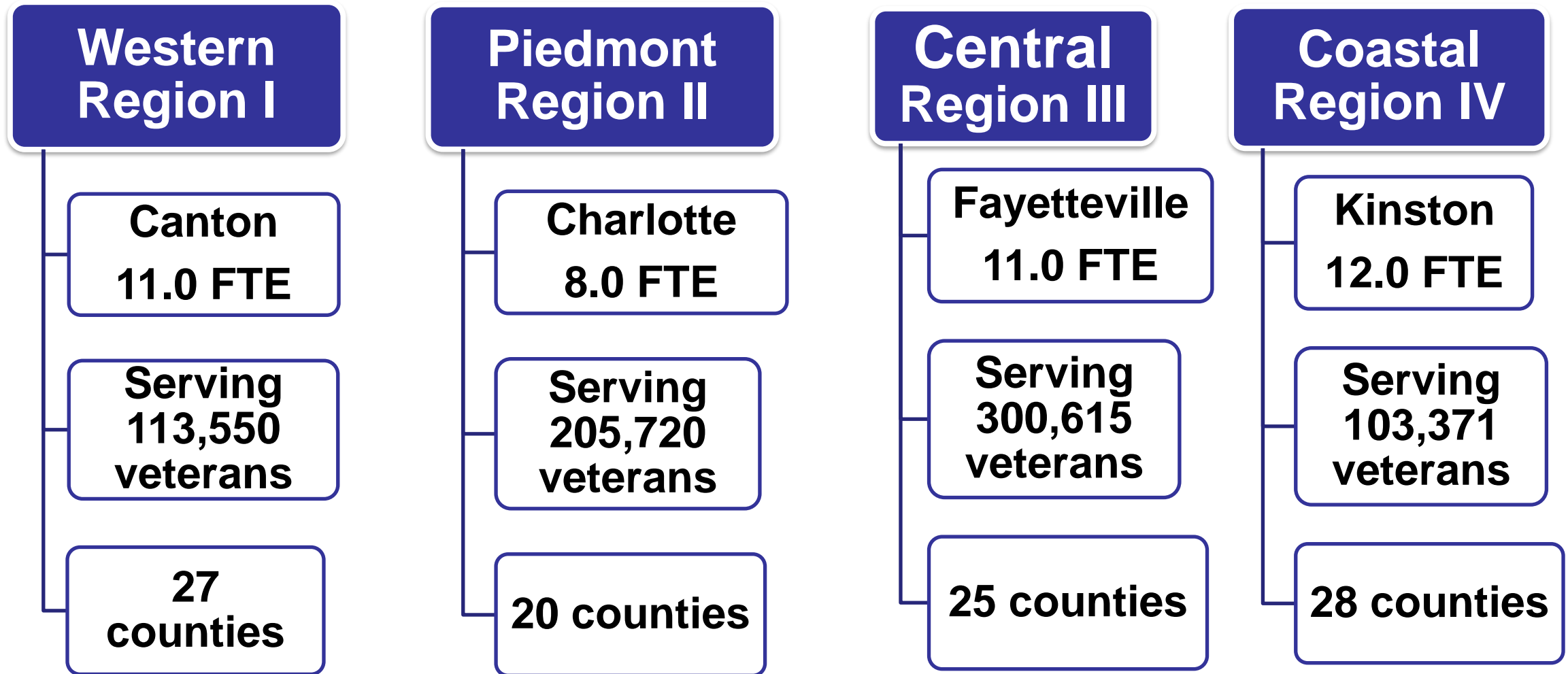
- Veterans Services Centers, scholarships, cemeteries, and skilled nursing facilities

| Fund Code 1200 | FY 2019-20 | | FY 2020-21 | FY 2020-21 | FY 2021-22 |
|--------------------|------------|------------|------------------|-------------------|---------------|
| | Actual | | Certified Budget | Authorized Budget | Base Budget |
| Requirements | \$ | 24,185,416 | \$ 16,370,854 | \$ 16,301,709 | \$ 16,431,358 |
| Receipts | | 17,450,237 | 8,920,964 | 8,920,964 | 8,920,964 |
| Net Appropriations | | 6,735,179 | 7,449,890 | 7,380,745 | 7,510,394 |
| FTE | | 58.00 | 58.90 | 58.00 | 58.00 |

Veterans Services Centers

- **Provide services to veterans, their dependents and survivors**
 - Determine eligibility for federal benefits
 - Assistance with applying for benefits
 - Assistance with appeals
 - Assist county veterans offices
- **Training Services**
 - Accreditation of veterans services officers
 - Training on federal and State laws & regulations
 - Continuing education

Veterans Services Centers



NC Veterans State Service Office

- Winston Salem, NC
- Co-located with the U.S. Department of Veteran Affairs (USDVA)
- Serves all State and county offices with **appeals only**
- Assists in adjudication of all claims with the USDVA
- State Veterans Officers represent veterans before the USDVA Court of Appeals



Scholarships for Children of Wartime Veterans

Four-year scholarships to North Carolina approved schools to eligible children of qualifying deceased, disabled, Prisoner of War or Missing in Action, or combat veterans.

- One scholarship to each child
- Four academic years (do not have to be consecutive); 8 academic semesters
- Allowable uses:
 - Tuition
 - Standard room and board allowance
 - Other institutional fees
 - Short-term workforce training courses (Class I-A, I-B, & IV scholarships)

Scholarships for Children of Wartime Veterans

§ 143B-1226. Classes or categories of eligibility under which scholarships may be awarded.

1. Class I-A (qualified veteran has died from service-connected causes)
2. Class I-B (qualified veteran must be deemed 100% disabled from service-connected causes)
3. Class II (qualified veteran must be 20% to less than 100% disabled or Purple Heart medal recipient)
4. Class III (qualified veteran drawing pension & 100% disabled)
5. Class IV (qualified veteran designated missing in action, captured in line of duty by a hostile force, or forcibly detained or interned in line of duty by a foreign government or power)

Scholarships for Children of Wartime Veterans

Budget Summary & History of Expenditures*

| | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual | Actual | Actual | Actual | Authorized | Base |
| Requirements | 9,201,774 | 9,589,950 | 10,638,626 | 10,785,826 | 11,590,468 | 11,590,468 |
| Receipts | 6,502,091 | 6,605,285 | 8,289,015 | 8,920,964 | 8,920,964 | 8,920,964 |
| Net Appropriations | 2,699,683 | 2,984,665 | 2,349,611 | 1,864,862 | 2,669,504 | 2,669,504 |

Legislative Action

- S.L. 2017-57 increased appropriations by \$536K (recurring)
- S.L. 2018-97 increased appropriations by \$2.4M (non-recurring)
- S.L. 2020-1 appropriated \$2.4M (recurring), retroactive to July 1, 2019

*Does not include the cost of administration

Scholarships for Children of Wartime Veterans

| | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|--|-----------------|----------------|-----------------|-----------------|-----------------|
| Scholarships: | | | | | |
| DMVA Adm. expenditures | \$ 95,825 | \$ 101,786 | \$ 105,680 | \$ 107,797 | \$ 111,484 |
| Total Scholarship expenditures (exc. Adm) | \$ 8,680,323 | \$ 9,201,774 | \$ 9,589,950 | \$ 10,638,627 | \$ 10,785,826 |
| Total Scholarships Awarded | 2218 | 2189 | 2400 | 2404 | 2463 |
| New scholarships Awarded | 324 | 356 | 344 | 369 | 408 |
| Participating Public Universities: | 16 | 16 | 16 | 16 | 16 |
| Average award amount | \$11,139 | \$11,351 | \$12,035 | \$13,196 | \$13,076 |
| Range of award | \$5289 - 14,529 | \$5076 - 15208 | \$8589 - 15,310 | \$6782 - 17,110 | \$9328 - 17,126 |
| Participating Private Universities: | 31 | 29 | 34 | 34 | 35 |
| Flat amount available | \$4,500 | \$4,500 | \$4,500 | \$7,000 | \$7,000 |
| Range of award | 1500 - 4500 | 1500 - 4500 | 1500 - 4500 | 2800 - 7000 | 2800 - 7000 |
| Participating Community Colleges | 37 | 37 | 39 | 36 | 38 |
| Participating Community Colleges: | | | | | |
| Average award | \$2,290 | \$1,668 | \$2,044 | \$3,135 | \$3,368 |
| Range of award | \$924 - 4608 | \$1012 - 5897 | \$283 - 7371 | \$973 - 4488 | \$330 - 4357 |
| New Scholarship Awards by Class: | | | | | |
| IA | 15 | 16 | 17 | 10 | 13 |
| IB | 117 | 149 | 135 | 171 | 195 |
| II | 100 | 98 | 96 | 93 | 100 |
| III | 92 | 93 | 96 | 95 | 100 |
| IV | 0 | 0 | 0 | 0 | 0 |
| # Applicants | 553 | 508 | 563 | 665 | 634 |
| # Offered | 332 | 365 | 352 | 369 | 408 |
| # Awarded & Enrolled | 1175 | 1168 | 1175 | 1231 | 1295 |

Source: Department of Military and Veterans Affairs



State Veterans Cemeteries

- USDVA provides grants to states to establish, expand or improve veterans cemeteries that are owned and operated by a state.
- USDVA may provide up to 100% of the cost but not for the purchase of land.
- State cemeteries established using federal funds must comply with USDVA standards
- All operating and maintenance costs are borne by states

State Veterans Cemeteries

Chapter 65, Article 8A

Authorized the establishment of four State veterans cemeteries

Set forth requirements that State veterans cemeteries provide:

- Gravesite or interment services at no charge to qualified veterans
- Burial benefits for spouses and dependents (burial fee applies)

State Veterans Cemeteries

Operating Budgets/Spending

| | FY 2015-16 | FY 2016-17* | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2020-21 | FY 2021-22 |
|------------------------|------------|-------------|------------|------------|------------|------------|------------|------------|
| General & Special Fund | Actual | Actual | Actual | Actual | Actual | Certified | Authorized | Base |
| Expenditures | 1,177,658 | 1,393,120 | 2,413,426 | 2,496,137 | 2,667,711 | 2,090,143 | 1,666,039 | 1,669,631 |
| FTE** | 21.3 | 23.25 | 23.25 | 23.25 | 23.25 | 23.25 | 23.25 | 23.25 |

| | | | | | | | | |
|------------------------|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|
| Burial Receipts | 907,714 | 976,777 | 1,091,225 | 1,003,613 | 1,093,217 | 1,093,217 | 1,093,217 | 1,093,217 |
|------------------------|---------|---------|-----------|-----------|-----------|-----------|-----------|-----------|

| | | | | | | | | |
|------------------------------|----------------|------------------|----------------|------------------|------------------|--|--|--|
| Cash Balance, June 30 | 899,564 | 1,380,056 | 780,182 | 1,353,069 | 1,147,943 | | | |
|------------------------------|----------------|------------------|----------------|------------------|------------------|--|--|--|

Note:

*Eastern Veteran Cemetery opened in 2016

**22 FTE are located onsite and 1.25 FTE support administrative functions in Raleigh office

State Veterans Cemeteries – Jacksonville, NC

- Opened in 1993
- 25 acres
- Average 288 burials per year
- Maintain 6,541 spaces
- 6.0 FTE
- Projected to reach capacity in 2040

Coastal Carolina Veterans Cemetery



State Veterans Cemeteries – Black Mountain, NC

Western Carolina Veterans Cemetery

- Opened in 1993
- 35 acres
- Average 420 burials per year
- Maintain 7592 spaces
- 5.0 FTE
- Projected to reach capacity in 2038



State Veterans Cemeteries – Spring Lake, NC

- Opened in 1997
- 17 acres
- Average 527 burials per year
- Maintain 7,638 spaces
- 6.0 FTE
- Projected to reach capacity in 2035

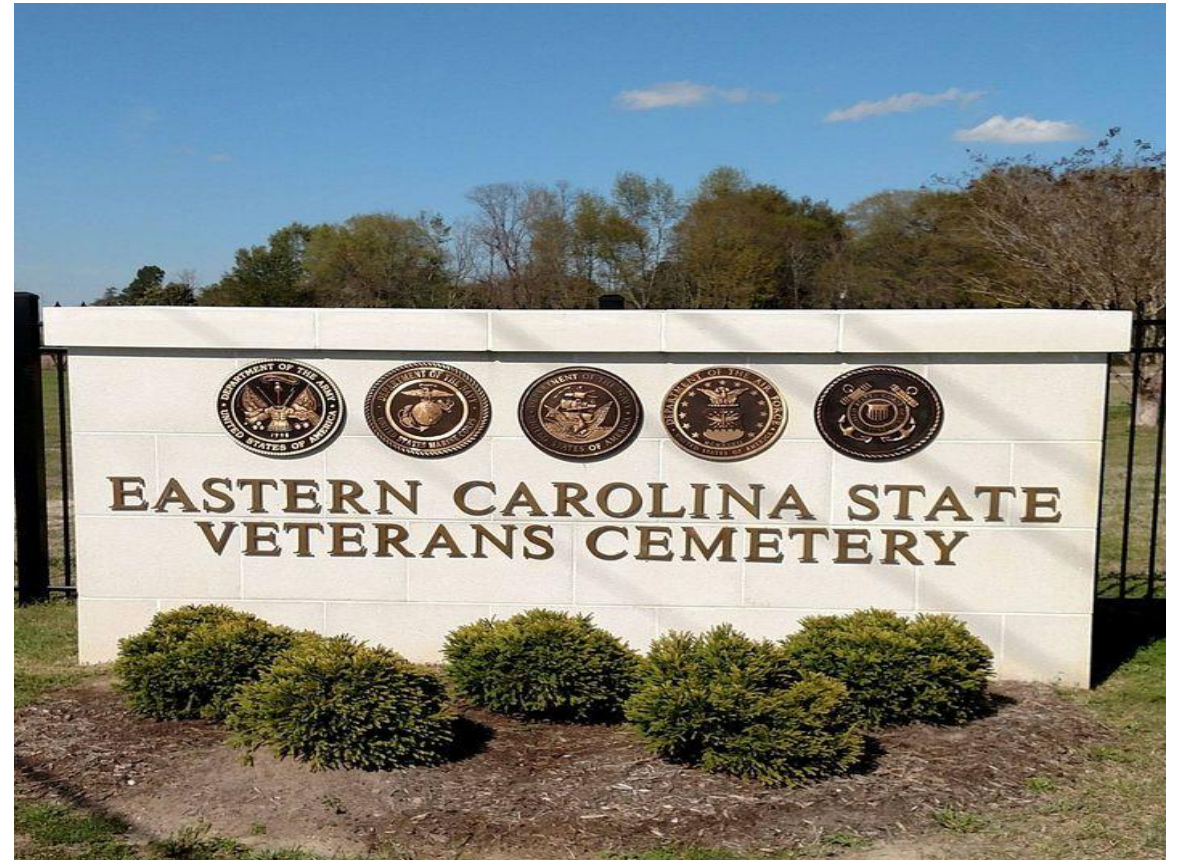
Sandhills Veterans Cemetery



State Veterans Cemeteries – Goldsboro, NC

- Opened in 2016
- 15 acres
- Average 235 burials per year
- Maintain 986 spaces
- 5.0 FTE
- Projected to reach capacity in 2060

Eastern Carolina Veterans Cemetery



Military Presence Stabilization Fund

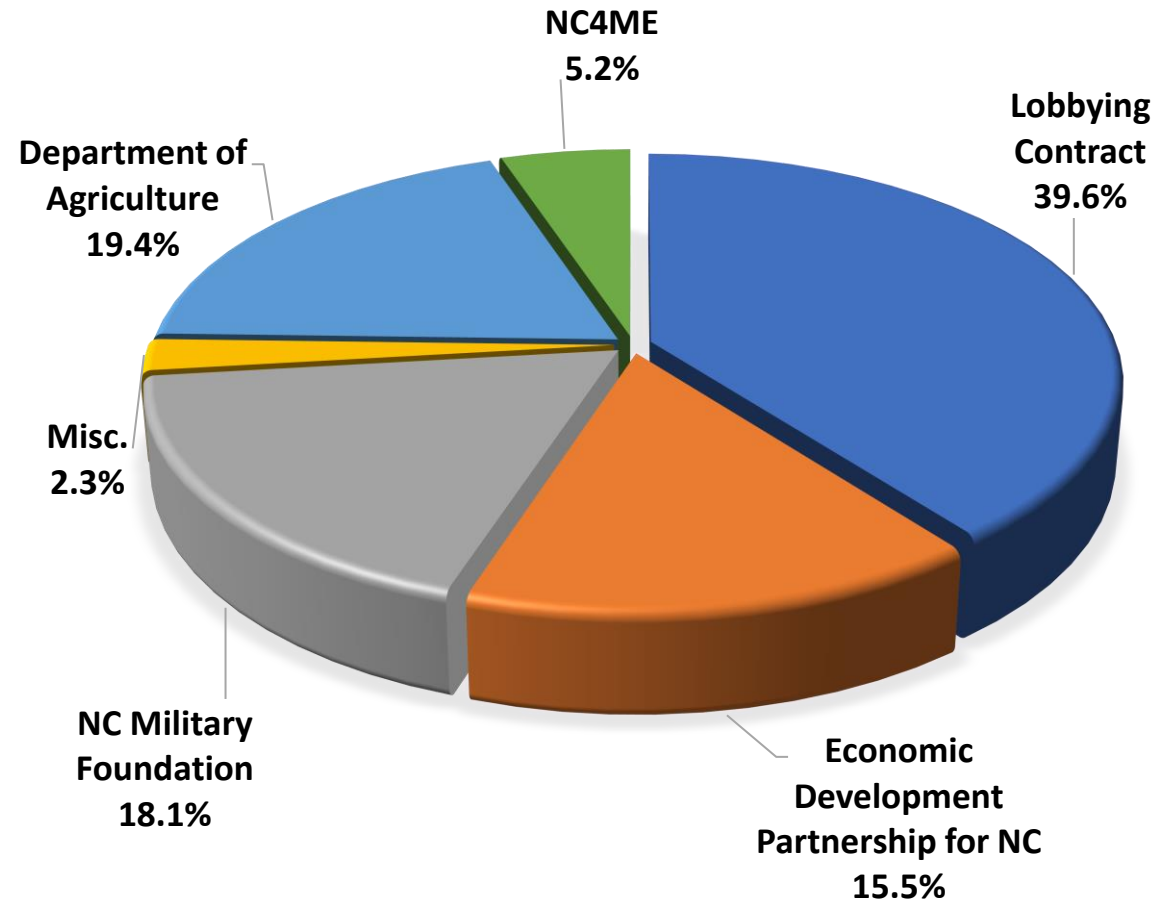
Established in G.S. 143B-1217

- Expenditures must be approved by the Military Affairs Commission
- May be used to address federal base realignment and closure initiatives; grants to local communities/military installations; administrative expenses; federal advocacy/lobbying; 1.0 FTE at the North Carolina Economic Development Center; and related initiatives.

| Special Fund | FY 2015-16 Actual | FY 2016-17 Actual | FY 2017-18 Actual | FY 2018-19 Actual | FY 2019-20 Actual | FY 2020-21 Authorized | FY 2021-22 Base |
|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--------------------------|--------------------|
| Requirements | 522,866 | 554,945 | 999,267 | 517,564 | 773,634 | 452,383 | 0 |
| Receipts | 2,129,007 | 4,475 | 2,079,320 | 49,141 | 0 | 2,000,000 | 0 |
| Change in Fund Balance | 1,606,141 | (550,470) | 1,080,053 | (468,423) | (773,634) | 1,547,617 | 0 |
| Cash Balance, June 30 | 1,606,141 | 1,606,141 | 1,055,671 | 2,135,723 | 893,666 | | |
| New Appropriations | \$ 1,675,000 | | \$ 2,000,000 | | | \$ 2,000,000 | |

Military Presence Stabilization Fund

Allocation of Expenditures (FY 2019-20 Actual)



State Veterans Homes

Background

- Federal law requires the USDVA (VA) to provide long-term care to qualifying veterans needing care due to service-connected conditions
- Most VA long-term care is provided in institutional settings such as Community Living Centers (CLCs), community nursing homes and state veterans homes
- VA provides grants to states for construction/capital improvements of state nursing homes; estimates of need
- VA must formally recognize and certify a facility and will survey facilities each year to ensure compliance with federal standards
- VA does not conduct planning for state veterans nursing bed expansions

State Veterans Homes

Background

- Licensure and certification is done through federal partners including Centers for Medicare and Medicaid Services (CMS) and VA as well as the State Department of Health and Human Services (DHHS)
- Licensure and certification along with annual compliance reviews/audits are for the purpose of *paying* for services
- DMVA manages and oversees the States four nursing homes through:
 - Contract with a nursing home management company
 - Contract with an accounting firm
 - DMVA staff onsite to maintain facilities & assist veterans
 - Frequent updates from contract & DMVA staff
 - DMVA reports quarterly to Veterans Affairs Commission

State Veterans Homes

- Chapter 143B, Article 14, Part 10
- Source of receipts: USDVA, resident payments, Medicare, Medicaid and private insurance

| Budget Code 13050 | <u>State Veterans Homes</u> | | | | | |
|---------------------------|-----------------------------|------------|------------|------------|------------|------------|
| | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2020-21 | FY 2021-22 |
| | Actual | Actual | Actual | Certified | Authorized | Base |
| Expenditures | 41,414,861 | 42,194,888 | 47,533,267 | 45,950,438 | 48,336,894 | 48,336,894 |
| Receipts | 41,414,861 | 42,194,888 | 47,533,267 | 45,950,438 | 48,336,894 | 48,336,894 |
| Net Appropriations | 0 | 0 | 0 | 0 | 0 | 0 |
| FTE | | | 8.75 | 9.75 | 9.75 | 9.75 |

State Veterans Homes Trust Fund

- Established: Chapter 143B-1223
- Special fund used to account for operations and capital needs of the State's four skilled nursing facilities
- Source of receipts: USDVA, resident payments, Medicare, Medicaid and private insurance

| | <u>Veterans Home Trust Fund</u> | | | | | |
|------------------------|---------------------------------|----------------------|----------------------|-------------------------|--------------------------|---------------------------|
| Budget Code 63050 | FY 2017-18 Actual | FY 2018-19 Actual | FY 2019-20 Actual | FY 2020-21 Certified | FY 2020-21 Authorized | FY 2021-22 Base Budget |
| Expenditures | 42,844,368 | 47,611,873 | 47,564,587 | 47,611,873 | 48,336,894 | 48,336,894 |
| Receipts | 56,129,807 | 47,584,404 | 49,203,651 | 47,584,404 | 47,723,019 | 47,723,019 |
| Change in Fund Balance | 13,285,439 | (27,469) | 1,639,064 | (27,469) | (613,875) | (613,875) |
| Cash Balance, June 30 | 65,370,529 | 61,603,688 | 63,242,752 | | | |

State Veterans Homes Trust Fund

History of Cash Balances

| | FY 2010-11 | FY 2011-12 | FY 2012-13 | FY 2013-14 | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 |
|-----------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Budget Code 63050 | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual |
| Cash Balance, June 30 | 18,055,642 | 21,011,350 | 23,030,930 | 25,853,459 | 40,050,219 | 42,941,182 | 52,085,090 | 65,370,529 | 61,603,688 | 63,242,752 |
| Year-over-Year Change | -7.0% | 16.4% | 9.6% | 12.3% | 54.9% | 7.2% | 21.3% | 25.5% | -5.8% | 2.7% |

Key takeaways

- Cash balances continue to rise steadily but the reasons are unclear

NC State Veterans Home – Fayetteville

- ❑ Opened 1995
- ❑ 150 beds (24 Memory Care)
- ❑ FY 2019-20, \$14.4M
- ❑ Private pay \$202/bed/day
- ❑ \$93,877/year
- ❑ Occupancy 92%
- ❑ Avg. Length of Stay 209.3 days
- ❑ Served residents from 33 counties; 56% from Cumberland County



NC State Veterans Home- Salisbury

- ❑ Opened 2004
- ❑ 99 beds
- ❑ FY 2020-21, \$10.2M
- ❑ Private pay \$202/bed/day
- ❑ \$104,700/year
- ❑ Occupancy 96% (Sept. 2019)
- ❑ Avg. Length of Stay 157.1 days (2020)
- ❑ Served residents from 21 counties; 38% from Rowan County



NC State Veterans Home – Black Mountain, NC

- ❑ Opened 2012
- ❑ 100 beds
- ❑ FY 2019-20, \$10.8M
- ❑ Private pay \$245/bed/day
- ❑ \$104,452/year
- ❑ Avg. Length of Stay 193.7 days
- ❑ Occupancy 98%
- ❑ Served residents from 22 counties; 60% from Buncombe County



NC State Veterans Home – Kinston, NC

- ❑ Opened 2013
- ❑ 100 beds
- ❑ FY 2019-20, \$11.5M
- ❑ Private pay \$245/bed/day
- ❑ \$115,102/year
- ❑ Occupancy 95%
- ❑ Avg. Length of Stay 130.7 days
- ❑ Served residents from 22 counties; 46% from Lenoir County



NC State Veterans Home – Expansions

- **Kernersville, NC**
 - New 120-bed facility, projected to open Summer 2021
 - Original estimate \$38.9M (2015)
 - \$25.3M federal; \$13.6M State
 - Revised estimate \$51.1M+
 - \$27.8M federal; \$23.3M State
- **Wake County – pending federal funding**

State Veterans Homes

State Veterans Homes - Other States

- 156 state veterans homes nationwide
- At least one state veteran home in each state; Florida & Texas operate 8 each
- Some states offer other long-term care services:
 - Domiciliary care (assisted living)
 - Adult day care
 - Respite care

Budget and Fiscal Issues



Budget and Fiscal Issues

State Veterans Homes

1. State's Role in Managing Operations

- State veterans homes are a joint venture between States and the US Department of Veterans Affairs (VA).
- Federal government (through the VA & CMS) pays for nursing home care in State-owned and -operated facilities;
- VA does not manage state veterans homes; VA does not conduct long-range planning for states
- DHHS and CMS license and certify but do not manage or oversee state veterans homes

Budget and Fiscal Issues

State Veterans Homes

- Consideration could be given to requiring DMVA to develop a long-range plan for addressing the long-term care needs of the State's veterans
 - Assess DMVA capacity to conduct long-range planning and properly oversee the delivery of care
 - Options for long-term care could be pursued before future skilled nursing bed expansions
 - Needs exist in urban and rural areas around the State
 - Needs exist for a variety of care to meet long-term needs of veterans

Budget and Fiscal Issues

State Veterans Homes Trust Fund

2. State Veterans Homes Trust Fund Cash Balances

- Consideration could be given to evaluating why the cash balances continue to rise steadily
 - Methodology for rate setting
 - Appropriate level of fund balance
 - State policies for use of the State Veterans Trust Fund

Budget and Fiscal Issues

3. Scholarships for Children of Wartime Veterans

- Future consideration could be given to moving administration of the State's Scholarships for Children of Wartime Veterans program
 - State Education Assistance Authority (SEAA) administers most scholarship funds for the State
 - Veterans Affairs Commission could maintain current role while reducing DMVA duties

Questions?

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